

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

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| THE APPLICATION OF COLUMBIA |) | |
| GAS OF KENTUCKY, INC., FOR |) | |
| AUTHORITY FOR THE ISSUANCE |) | CASE NO. 9471 |
| AND SALE OF PROMISSORY NOTES |) | |

O R D E R

On November 25, 1985, Columbia Gas of Kentucky, Inc., ("Columbia") filed an application seeking permission to issue and sell Installment Promissory Notes ("Notes") to its parent, Columbia Gas System, Inc., ("System") in a principal amount not to exceed \$3,200,000. The Notes will have the same terms as Columbia's outstanding Notes except that they will be payable in 15 near equal installments as set out in the application. The interest rate will be equal to the actual cost of money to the System for its then most recent sale of long-term debt or preferred stock. The proceeds will be used to finance the 1986 construction program and for other corporate purposes.

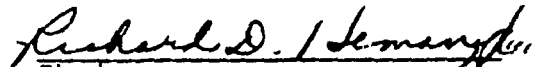
After considering the application and all the evidence of record and being advised, the Commission is of the opinion that it cannot grant approval to Columbia's proposed issuance and sale of Notes at this time because the interest rate is currently unknown.


In Case No. 9228, The Application of Columbia Gas of Kentucky, Inc., for Authority for the Issuance and Sale of Promissory Notes and the Sale of Common Stock, Columbia made a similar request to issue and sell Notes to the System. Similarly, at the time of the request, the interest rate was unknown. In its Order dated December 18, 1984, the Commission stated that it could not grant approval to a securities issue when the interest rate was unknown.

IT IS THEREFORE ORDERED that, when the interest rate for the Notes is determined, Columbia shall file a statement advising the Commission of the interest rate. At that time the Commission will consider Columbia's request to issue and sell Notes to the System.

Done at Frankfort, Kentucky, this 12th day of December, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary